

December 10, 2020, Oral Argument on Complainant's Request for Interim Relief

Duke Energy Carolinas, LLC's and Duke Energy Progress, LLC's Late-Filed Exhibit 1
As Available Energy Pricing Methodology

18 C.F.R. § 292.304 addresses rates for purchase by utilities from cogenerators and small power producer qualifying facilities ("QFs"). Subsection (d) prescribes QFs' options to sell energy "as available" or to sell energy and capacity pursuant to a legally enforceable obligation. Where no legally enforceable obligation or power purchase agreement ("PPA") exists setting avoided cost rates for a future term, the QF may "provide energy as the qualifying facility determines such energy to be available for such purchases, in which case the rates for such purchases shall be based on the purchasing utility's avoided costs calculated at the time of delivery."

The term of Cherokee Cogeneration Partners, LLC's ("Cherokee") current PPA with Duke Energy Carolinas, LLC's ("DEC") terminates December 31, 2020, and that Cherokee has chosen not to enter into a new PPA based upon DEC's large QF avoided cost rates calculated consistent with the methodology approved by the Public Service Commission of South Carolina ("Commission") in Order Nos. 2019-881(A) and 2020-315(A). DEC continues to be obligated to purchase the as-available energy delivered by Cherokee to DEC's system, and the rates for such purchases shall be based on DEC's avoided costs calculated at the time the energy is delivered to DEC's system. DEC will calculate its avoided energy costs based upon the following methodology:

METHODOLOGY FOR CALCULATING AVOIDED ENERGY COSTS

A production cost model (PCI GenTrader) is utilized to determine the hourly avoided energy cost as the basis for purchase of as-available energy from qualifying facilities at the time of delivery to DEC. All economic, unit constraint, and system requirements data necessary for program execution is based on real time data accumulated during the hour that energy was received.

Production Cost Model Program Execution:

The production cost model is executed with the following hourly input data for the desired period:

1. Unit constraint data to simulate actual unit operating conditions and availability.
2. Resource economic data consistent with the data used in the actual dispatch of energy resources. This includes a replacement cost of fuel, variable operating and maintenance expense, EPA emission allowances and reagents.

3. System load actually experienced.
4. Energy transferred between Duke Energy Carolinas and Duke Energy Progress per the Joint Dispatch Agreement.
5. Off-system sales and purchases of energy.

The unit commitment program is executed a second time for the same period with a nominal increase in the hourly system load. All other data remain the same.

Determination of Energy Price:

A comparison of the production cost model executions described above produces the as-delivered energy prices. The hourly cost of the second execution minus the corresponding hourly cost of the first execution equals the hourly energy cost avoided by DEC as a result of the energy supplied by the QF.

CERTIFICATION

I, Scott Burnside, state and attest, under penalty of perjury, that I have reviewed the foregoing Duke Energy Late Filed Exhibit 1, and, in the exercise of due diligence, have made reasonable inquiry into the accuracy of the information and representations provided therein; and that, to the best of my knowledge, information, and belief, all information contained therein is accurate and true and contains no false, fictitious, fraudulent or misleading statements; that no material information or fact has been knowingly omitted or misstated therein, and that all information contained therein has been prepared and presented in accordance with all applicable South Carolina general statutes, Commission rules and regulations, and applicable Commission Orders. Any violation of this Certification may result in the Commission initiating a formal review proceeding. I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment by contempt.



Name: Scott Burnside
Title: Manager Unit Commitment
Duke Energy Carolinas, LLC and Duke Energy Progress, LLC